

Canadian Cottons

LIMITED

Thirty-third
ANNUAL REPORT
for the Year Ended
31st March
1943

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CANADIAN COTTONS, LIMITED

HEAD OFFICE

760 Victoria Square, Montreal

Operating

ONTARIO MILL, HAMILTON, ONT.

STORMONT MILL, CORNWALL, ONT.

DUNDAS MILL, CORNWALL, ONT.

CANADA MILL, CORNWALL, ONT.

ST. CROIX MILL, MILLTOWN, N.B.

GIBSON MILL, MARYSVILLE, N.B.

Subsidiary

CORNWALL AND YORK COTTON MILLS COMPANY, LIMITED
SAINT JOHN, N.B.

OFFICERS

E. C. FOX	-	-	-	-	-	Chairman
R. G. TOLMIE	-	-	-	-	-	President and Man. Director
W. J. MORRICE	-	-	-	-	-	Vice-President
W. V. BOYD	-	-	-	-	-	General Manager
K. L. HAMILTON	-	-	-	-	-	Secretary-Treasurer

DIRECTORS

SIR H. MONTAGU ALLAN, C.V.O.	-	-	-	-	-	Montreal
W. V. BOYD	-	-	-	-	-	Montreal
A. S. BRUNEAU, K.C.	-	-	-	-	-	Montreal
E. C. FOX	-	-	-	-	-	Toronto
W. J. MORRICE	-	-	-	-	-	Montreal
J. I. ROY	-	-	-	-	-	Montreal
R. G. TOLMIE	-	-	-	-	-	Montreal

DIVIDEND DISBURSING AGENTS.....	The Royal Trust Co., Montreal
STOCK TRANSFER AGENTS.....	The Royal Trust Co., Montreal and Toronto
REGISTRARS.....	The Bank of Montreal, Montreal and Toronto
BANKERS.....	The Bank of Montreal, Montreal
STOCK LISTED.....	The Montreal Stock Exchange

Annual Report

of the

Directors of

CANADIAN COTTONS, LIMITED

Year Ended 31st March, 1943

To the Shareholders:

Your Directors submit herewith the Balance Sheet of the Company as at 31st March, 1943, together with a Statement of Profit and Loss for the year which ended on that date.

Net profits, including income from

investments of \$185,135.61 and after providing for income and excess profits taxes and for other customary charges, amount to \$596,023.59. This has been appropriated as follows:—

Pension Fund.....	\$ 50,000.00
6% Dividend on Preferred Stock.....	200,436.00
4% " " Common "	108,620.00
2% Bonus " " "	54,310.00
	413,366.00
Balance transferred to Surplus.....	182,657.59
	<u>\$596,023.59</u>

Under Section 6-1(b) of the Excess Profits Tax Act companies are permitted to reduce inventory prices for taxation purposes to the September, 1939 level on the amount of inventory in hand of the same date. Your Company has, therefore, taken advantage of this provision and has not paid excess profits tax which would otherwise have accrued. Depending on incalculable conditions at the time of settlement, taxes may be exigible on the full amount of the reduction, partially so or not at all. The possible

tax has reached such an important sum that your Directors have deemed it wise to set up a liability sufficient to meet the maximum obligation.

A shortage for civilian requirements is developing in yarns and woven fabrics of all kinds in spite of record production. Roughly about 65% of the current capacity of the cotton mills of Canada is required for essential industrial and war purposes. This civilian shortage will be cumulative. Consequently the extent

of it will be determined by the length of the war. Also it is a condition that is common to all countries, hence it seems certain that when peace comes there will be a large demand for textiles, to satisfy which will likely require heavy capital expenditures.

During these war years with plants on an all-out production basis, wear and tear—in other words, depreciation—is taking place at a rate greater than replacement expenditures. This must obviously be so, for industry is limited to the barest replacement necessities both because of domestic Government regulations and the impossibility of securing imported equipment. An adequate post-war programme, therefore, must make up for the lack of proper replacement in war years, as well as its then current needs. This, generally speaking, is going to require large sums of money which may seriously tax liquid resources. Heavy as the tax load must be, it would be a profound disaster if industry were not left with enough working capital to meet the difficult post-war demands imposed on it. Your Company will undoubtedly have to draw on its pre-war liquidity to meet its post-war programme.

It is worth noting that buildings and equipment are depreciating assets, the latter at a much more rapid rate than the former. There comes a point, if there is not sufficient replacement, when excess wear and tear begins to have a cumulatively slow-

ing effect on capacity of production. This may yet prove to be a serious handicap with many industries unless there is an early termination of the war. Its possibility should not be overlooked as a vital factor in our national economy.

Reference was made a year ago to the acute shortage of labour and the difficulty of maintaining an even flow of production. Conditions this year have been more difficult in this respect, although for the whole twelve months' period the production of goods and employee hours were almost identical with a year ago, yet the breakdown of the figures into two six months' periods shows a marked tendency to decreased production for the second six months against the same number of employee hours. This latter undoubtedly is due to an increased rate of labour turn-over, the lower productive capacity of new employees until efficiently trained, and to absenteeism.

The dollar sales value showed a decrease of \$1,200,000, due in part to ceiling prices being in effect for the whole year, as against four months only in the year preceding—and in part because all surplus manufactured inventory having been previously liquidated, sales for this last year were on a basis of current production only.

Your Company has been working for the whole year under jurisdiction of the Wartime Prices and Trade

Board, of which the "ceiling price" regulation is the most tangible achievement in the public eye. Yet that is only one of many economic war measures effected by that Board and affecting your Company. The cutting down of the number of styles and patterns has contributed importantly to the maintenance of production already referred to. The total number of styles of piece goods fabrics has been reduced by 60%.

The amount set aside for depreciation for the year is \$302,820.98, as against \$606,413.76 a year ago. Certain of your Company's assets are now fully depreciated and no more depreciation may be set up against them. This account will jump up sharply again after the war when large deferred and current replacements are made.

During the coming year ceiling prices of goods to the civilian trade will be below cost of production and your Company will be compelled to avail itself of the subsidy which was referred to in the annual report of last year as then being under negotiation. While the subsidy agreement does not guarantee a profit, nevertheless, no subsidy will be paid to the Company beyond the point which would make it liable to the 100% taxation rate under the Excess Profits Tax Act. Thus your Company

will have a limit on its profits for the coming year of $116\frac{2}{3}\%$ of its pre-war standard profit without any protection against possible loss, which your Directors do not, however, anticipate.

The relations with the employees during this past year have been co-operative and cordial. However, absenteeism and labour turn-over have exacted a grievous toll both in production and efficiency. Everyone wishes, in the interests of the war effort, that they could be reduced to the unavoidable minimum. They are problems that can only be solved by collective consideration and action. Your Directors wish to extend their warmest appreciation to that large body of employees, both plant and office, who, day after day, are expending their full energies in the service of the Company during these most difficult and trying times.

A plan of holidays-with-pay has been mutually agreed upon between your Company and employees which should prove to be of great benefit not only to the employees but also to the general social and economic welfare of the localities where your mills are situated.

The books and accounts of the Company have been duly audited and the Auditors' report is submitted herewith.

Submitted on behalf of the Board of Directors.

E. C. Fox,
Chairman.

R. G. TOLMIE,
President.

CANADIAN COT

BALANCE

AS AT 31ST

ASSETS

CURRENT:

Cash on hand and in Banks.....	\$ 1,285,671.94
Accounts Receivable—less Reserve for Doubtful Accounts.....	966,530.89
Inventories of Raw Cotton (including Cotton purchased but not delivered), Goods in Process, Manufactured Stock and Supplies, as determined and certified by the management, and valued in each case at cost or under and not in excess of present market values.....	2,147,848.14
Investments—	
Dominion and Provincial Government Bonds and Corporation Bonds and Shares—at cost.....	5,175,287.65
(Market Value as at 31st March, 1943—\$5,313,331.00)	
<u>TOTAL CURRENT ASSETS.....</u>	<u>9,575,338.62</u>
SHARES IN SUBSIDIARY COMPANIES.....	3.00
DEFERRED CHARGES TO OPERATIONS.....	91,970.64
REFUNDABLE PORTION OF EXCESS PROFITS TAX	219,136.19

CAPITAL ASSETS:

Mills, Plants and Properties — at cost —	
Balance as at 1st April, 1942.....	\$18,610,821.71
Additions for year.....	227,446.69
	<u>18,838,268.40</u>
	<u>\$28,724,716.85</u>

NOTE:—In computing the amount set aside for Dominion Taxes, consideration has been given to the provisions of the Excess Profits Tax Act, allowing Reserves against future depreciation in inventory values.

Montreal, 21st April, 1943.

Audited and verified as per Certificate attached.

RITCHIE, BROWN & CO.,
Chartered Accountants.

TONS, LIMITED

SHEET

MARCH, 1943

<u>LIABILITIES</u>	
<u>CURRENT:</u>	
Accounts and Bills Payable.....	\$ 341,147.46
Cotton Acceptances.....	429,302.00
Due to Subsidiary Company.....	199,407.93
Contribution to Pension Fund.....	50,000.00
Reserve for Income and Excess Profits	
Taxes.....	\$2,218,882.56
Less: Payments on Account.....	1,083,840.00
	<u>1,135,042.56</u>
<u>TOTAL CURRENT LIABILITIES</u>	2,154,899.95
CONTINGENT RESERVE.....	505,600.95
DEPRECIATION RESERVE.....	17,369,461.58
REFUNDABLE PORTION OF EXCESS PROFITS TAX	219,136.19
<u>CAPITAL STOCK:</u>	
Authorized—	
Preferred—6% Non-Cumulative	
41,791 shares Par Value \$100.00 each	\$4,179,100.00
Common—	
35,000 shares Par Value \$100.00 each	3,500,000.00
	<u>\$7,679,100.00</u>
Issued and fully paid—	
Preferred—	
33,406 shares at \$100.00 each.....	3,340,600.00
Common—	
27,155 shares at \$100.00 each.....	2,715,500.00
	<u>6,056,100.00</u>
<u>EARNED SURPLUS</u> —Per Statement attached.....	2,419,518.18
	<u><u>\$28,724,716.85</u></u>

Signed on behalf of the Board:

R. G. TOLMIE, *Director.*

W. V. BOYD, *Director.*

CANADIAN COTTONS, LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 1943

Operating Profit for year including Investment Income of \$185,135.61, after providing for Items A, B, C, D, E, F, as below noted.....	\$ 596,023.59
<i>Deduct:</i> Contribution to Pension Fund.....	50,000.00
<i>NET INCOME FOR PERIOD</i>	546,023.59

Deduct:

Dividends—Preferred 6%.....	\$200,436.00	
Common—Ordinary 4%...	108,620.00	
Bonus 2%.....	54,310.00	
		363,366.00
<i>SURPLUS FOR YEAR</i>		\$182,657.59

A. Depreciation.....	\$302,820.98
B. Executive Salaries.....	49,565.00
C. Directors' Fees.....	7,950.00
D. Provision for Taxes.....	1,960,546.67
E. Legal Fees.....	796.40
F. Contingencies.....	100,000.00

EARNED SURPLUS ACCOUNT

Balance at Credit as at 1st April, 1942.....	\$2,236,860.59
<i>Add:</i> Surplus for year as above.....	182,657.59
<i>BALANCE AT CREDIT—31st MARCH, 1943</i>	\$2,419,518.18

TO THE SHAREHOLDERS,

CANADIAN COTTONS, LIMITED.

We have examined the books and accounts of Canadian Cottons, Limited, for the year ended 31st March, 1943. We have verified the Cash in Banks and the Investment Securities and the Revenue therefrom.

We have obtained all the information and explanations required, and in our opinion the attached Balance Sheet and Profit and Loss Account, based upon certified inventories presented, are properly drawn up so as to exhibit a true and correct view of the state of affairs of the Company as at 31st March, 1943, and for the year ended that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

RITCHIE, BROWN & CO.,

Chartered Accountants.

Montreal, 21st April, 1943.

CANADIAN COTTONS, LIMITED

Manufacture

DENIMS	COTTON TWEEDS
COTTONADES	COTTON SUITINGS
COVERTS	PANTINGS
AUTOMOBILE FABRICS	BEDFORD CORDS
AWNINGS FABRICS	WHIPCORDS
MATTRESS TICKINGS	
SHIRTINGS	NOVELTY DRESS FABRICS
GALATEAS	NURSES CLOTH
CHAMBRAYS	
ARTIFICIAL SILK FABRICS FOR DRESSES, LININGS AND LINGERIE	
FLANNELS	COLOURED FLANNELETES
BLEACHED FLANNELETES	MOTTLED INTERLININGS
NAPPED SHAKERS	SILENCE CLOTH
TIE LININGS	EIDERDOWNS AND
NAPPED SHEETINGS	ROBE CLOTHS

COTTON BLANKETS
WOOL-MIXTURE BLANKETS

UNBLEACHED, BLEACHED AND COLOURED YARNS
HOSIERY YARNS, WARP YARNS
SPUN RAYON AND WOOL BLEND YARNS



